Nova Scotia Energy Strategy

PROGRESS REPORT SUMMARY

BELOW IS A SUMMARY OF THE PROGRESS ITEMS FEATURED IN THE ENERGY STRATEGY PROGRESS REPORT. FOR MORE DETAILED INFORMATION ON THESE ITEMS, PLEASE REFER TO THE FULL REPORT WHICH CAN BE FOUND AT WWW.GOV.NS.CA/ENERGY

EXPLORATION

The Canada/Nova Scotia Offshore Petroleum Board has updated the estimate of the commercial potential for Nova Scotia's offshore. Conservative estimates place our potential at 40 trillion cubic feet of natural gas.

Nova Scotia's oil and gas industry is now seeing more activity than ever. In fact, over the next 12-18 months, approximately 8-10 exploration wells will be drilled—that's more than in the last decade.

The department participated in the November 2002 Atlantic Energy Roundtable, a Halifax meeting of federal and provincial ministers, departments, and industry representatives to address issues of importance to Atlantic Canada's oil and gas industry. The follow-up process is a full partnership between Nova Scotia, Newfoundland and Labrador, and the federal government. Advice is being sought from regulatory authorities and industries on measures required to make our regulatory processes more efficient and effective. A full report is expected at a second roundtable in fall 2003.

The revisions to the *Gas Distribution Act* improved efficiency through such changes as eliminating ministerial approval of franchise amendments and permitting the use of interim transportation tariffs.

The new *Underground Hydrocarbon Storage Act,* along with a Code of Practice, provides clear direction on the regulation of development and use of underground reservoirs to help balance the supply and demand for natural gas and gas liquids.

Offshore workers will soon have the same kind of occupational health and safety legislation as those working on land with a coordinated approach to new legislation with the province of Newfoundland and Labrador and the federal government.

Work continues on Nova Scotia's *Energy Act,* which will contain a series of efficiency improvements.

In May 2002, the Government of Canada agreed to Nova Scotia's request to review the objectives of the 1986 Canada-Nova Scotia Offshore Accord, including revenue-sharing and regulatory efficiency. Discussions are currently underway between both levels of government on fulfilling the intent of the accord. The Department of Energy, as well as the Department of Finance, is supporting the Office of Intergovernmental Affairs in these discussions with Natural Resources Canada.

We're also working to improve the process for onshore approvals. The department worked with the province's interdepartmental One Window Standing Committee to coordinate the provincial organizations with responsibility for onshore regulations so that operators have a main point of contact and approval.

The department supports the Canada-Nova Scotia Offshore Petroleum Board with access to information and funding necessary to effectively and efficiently carry out their responsibilities.

Nova Scotia continues to participate in local and international oil and gas conferences and trade shows, which provides us with an opportunity to promote our resources, our workforce, and our competitive edge. Our attendance at shows like the Offshore Technology Conference in Houston, Texas, the Deepwater Technology Conference in New Orleans, Louisiana, the CORE conference in Halifax, as well as shows and conferences in Calgary and St. John's are helping us showcase the many opportunities to invest in our growing industry.

In November 2002, Nova Scotia was officially inducted as the newest international member and affiliate of the Energy Council, an organization of 10 oil-producing states ranging from the Gulf of Mexico to the Arctic Ocean. Nova Scotia joins Newfoundland and Labrador and Alberta as members of the Energy Council, which includes states such as Texas, Louisiana, and Alaska and the country of Venezuela. Membership in the Energy Council gives Nova Scotia another opportunity to promote our resources and learn from other energy-producing regions.

DEVELOPMENT AND PRODUCTION

The November 22, 2002 Atlantic Energy Roundtable also addressed economic benefits and how Nova Scotia can be better positioned to gain the benefits from new jobs and business opportunities that are associated with offshore projects. The department will be an active participant in the follow-up process that is being established. A full report to the next roundtable in the fall of 2003 is expected on industrial opportunities.

The energy strategy identified the need to increase Nova Scotia's capabilities and capacity in the area of engineering and metal fabrication. The department is working with the private sector and other government agencies to identify opportunities to increase capabilities, including the possible expansion and enhancement of publicly owned assets.

The department continues to work with Regional Development Authorities, the Offshore/Onshore Technologies Association of Nova Scotia, and local operators on contracting strategies and joint ventures that help promote local products and services and attract new business.

TRANSPORTATION AND DISTRIBUTION

With the recent Nova Scotia Utility and Review Board approval of a gas distribution franchise to Heritage Gas, and a conditional franchise for Strait Area Gas, Nova Scotians in franchise areas will soon have access to natural gas for use in their homes and businesses. This is a positive and important first step in providing as many Nova Scotians with access to natural gas as possible as markets grow. The department will be a full participant in the Nova Scotia Utility and Review Board procedures to establish tolls and construction approvals.

To assist with the transition to natural gas, the Nova Scotia government allocated $14 million from the Gas Market Development Fund to help individual Nova Scotians, small businesses, and institutions use natural gas. The remaining $6 million of the $20-million fund, which is financed by gas producers in Nova Scotia, will be used to extend the pipeline system beyond franchise areas approved by the Nova Scotia Utility and Review Board and for customers already using natural gas in Nova Scotia.

The department continues to represent the interests of Nova Scotians before regulatory proceedings with the National Energy Board, the Canada–Nova Scotia Offshore Petroleum Board, and the Nova Scotia Utility and Review Board on issues that impact energy development, production, and use in Nova Scotia.

TRAINING

Our training program for students this past year brought 70 post-secondary students together with 40 employers, providing invaluable on-the-job work experience for co-op work terms and summer positions in the oil and gas industry.

The Province of Nova Scotia, Encana, and the Nova Scotia Community College have helped establish the Offshore Operations Program at the Marconi Campus in Sydney. Students are now gaining a wide range of technical skills to prepare them for the job opportunities that exist offshore.

World-class training taking place at the Nova Scotia Community College and the University College of Cape Breton is also providing opportunities to export our knowledge. In partnership with ExxonMobil Canada, these institutions have established a training program that will provide workers from Angola with the skills they need to work on discoveries being developed by Exxon Angola while Nova Scotia continues to build a reputation for expertise in offshore training.

We're working with Skills Nova Scotia on a series of seminars to promote the energy sector as a career choice for high school students.

We're supporting local businesses with an interest in serving the oil and gas industry with information seminars on adopting quality assurance and quality control standards that will help them compete for new contracts.

ECONOMIC IMPACT

The Department of Energy is currently working with industry representatives to build on this study and provide regular reporting on economic impacts of offshore exploration, development, and production.

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An important part of the economic impact of Nova Scotia's oil and gas industry is the royalties collected through the production of the resources. Royalties from the Sable Offshore Energy Project are estimated at between $1.6 and $2.3 billion over the life of the project.

The department regularly reports on projected royalty revenues and has developed a generic royalty regime for future projects—a regime that has been compared favourably to those in other regions as providing a "fair return to the provinces and citizens while not in themselves discouraging further development of the industry."[1]

ELECTRICITY

In May 2002, the Electricity Marketplace Governance Committee was formed to make recommendations on how competition can be cautiously and gradually introduced into Nova Scotia's electricity market. The EMGC is made up of representatives from Nova Scotia Power, municipal utilities, and consumer and renewable energy representatives.

The committee has released its first interim report addressing issues of access to Nova Scotia Power's transmission infrastructure and expects to release a second interim report in the near future dealing with competition in the market. The EMGC's final report is expected in spring 2003, and the department will review the committee's recommendations as part of the development of the province's new Energy Act.

RENEWABLE ENERGY

New wind turbines began producing electricity in Little Brook, Digby County, and Grand Etang, Cape Breton, in October 2002.

Nova Scotia Power purchased these two 670-kW units to generate electricity for their voluntary residential green power purchase program, which allows residential consumers to choose wind power by purchasing blocks of green power.

Nova Scotia Power is also in the final stages of selecting an independent power producer to supply 100 GWh of wind-generated green power each year. It is expected that much of this electricity will be sold under a green power agreement with the federal government for use in federal facilities in Nova Scotia.

Our Department of Natural Resources has released Canada's first policy for access to provincial Crown land for wind energy projects. We're providing up to four years of low-cost access for monitoring and development, predetermined lease rates, and sublease arrangements to allow land to be used for other compatible activities.

MARINE ENVIRONMENT

In 2002 the Cape Breton Review Commissioner concluded hearings into public concerns over exploration plans offshore Cape Breton. The review had been ordered as a joint directive by the ministers responsible for energy in Nova Scotia and Ottawa.

The Department of Energy supported both processes. It helped non-governmental organizations (NGOs), including environmental groups, participate fully in the science review process by providing a total of $5,000 in honorariums to three NGO participants. The department also actively participated on the ad hoc working group.

The Department of Energy also is an active participant in the CNSOPB Fisheries and Environment Advisory Committee (FEAC) and in the Department of Fisheries and Oceans initiative in ocean management planning called the Eastern Scotian Shelf Integrated Management initiative.

In 2003, the department also committed $50,000 toward a scientific research program that will help us understand the impact of seismic activities on marine mammals. This basic research will help reduce the scientific uncertainty that currently exists in this area and help scientists design programs to mitigate any potential negative impacts. In this fashion, responsible oil and gas exploration activities can proceed.

The Department of Energy is also a participant in the Canadian Environmental Assessment Agency's Oil and Gas Issues Regulatory Sub-committee, which is looking at the requirements for environmental assessments in the offshore. The results of this process are expected to be reported to the federal government in the fall of 2003.

[1] *Atlantic Petroleum Royalties: Fair Deal or Raw Deal?*, G. C. Watkins, The AIMS Oil and Gas Papers (Paper #2), Brian Lee Crowley, Series Editor

CONSERVATION AND EFFICIENCY

Working with Clean Nova Scotia, the department supports home audit programs that help Nova Scotians find out ways to improve the energy efficiency in their homes and save money.

The department and Clean Nova Scotia also work together with other partners to support Destination Conservation, a program teaching students to find ways to help their schools save energy, become more efficient, and reduce costs.

The TRAX program, delivered by the Ecology Action Centre and supported by the department, among other partners, promotes transportation alternatives such as public transportation, car-pooling, cycling, walking, and workplace trip reduction.

Nova Scotia currently builds more R-2000 homes per capita than any other region in the country and the Department of Energy was recently recognized by the Nova Scotia Homebuilder's Association for its continued support to building energy efficient homes through the R-2000 program.

CLIMATE CHANGE

Nova Scotia continues to be a leader in building a partnership to implement a national climate change plan, an approach that delivers reductions in emissions while ensuring that no one region or industry bears an unreasonable burden for this national issue.

Department of Energy staff represents the province at federal, provincial, and territorial working groups and deputy ministers' meetings, while the Minister serves as Co-Chair of the Joint Ministers' Meetings of Energy and the Environment.

Currently, discussions with the federal government involve issues such as targeted measures, emission trading, and voluntary covenants for large industrial emitters as well as a partnership process to assist in implementing climate change efforts in Nova Scotia.

AIR QUALITY

Meanwhile, the government is implementing the Energy Strategy's goals to improve air quality for Nova Scotians. The Department of Environment and Labour is working with the Department of Energy, the Office of Economic Development, Nova Scotia Power, Nova Scotia Business Inc., and other industries to focus on reducing the emissions of mercury, sulphur, nitrogen, and ozone.

TAXATION

The Nova Scotia Energy Strategy identified the need for Nova Scotia to provide competitive taxation regimes. Analysis undertaken in preparing in the Energy Strategy indicated that Nova Scotia is competitive with respect to fiscal matters including royalties and taxation. The department is continuing to work with Service Nova Scotia and Municipal Relations and the Department of Finance to advise on taxation matters that affect the energy sector.

RESEARCH AND DEVELOPMENT

Work has already begun in this area by bringing together representatives from research institutions, government, and the private sector to review current energy-related research and development activities and identify areas of discussion for an Energy R&D Forum to be held in late spring or early fall. Together, they'll identify opportunities and gaps in the current research and find ways to work in partnership to conduct research that will provide us with a better understanding of the challenges and opportunities in Nova Scotia's energy sector. A project to identify energy research capabilities and areas of specialty in a database/website is also under way.

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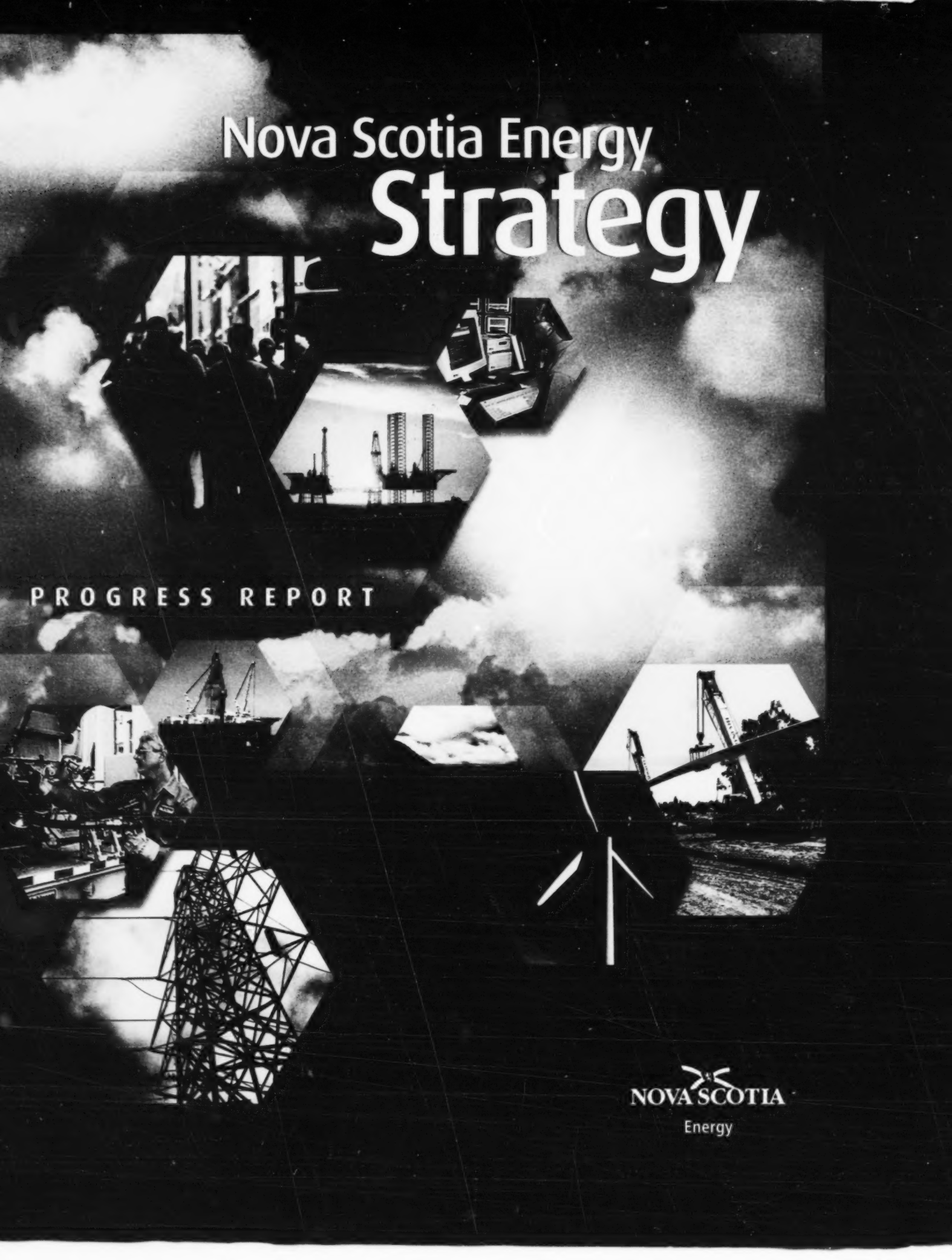
NOVA SCOTIA
Energy

Nova Scotia Energy Strategy



PROGRESS REPORT

NOVA SCOTIA
Energy

Minister's Message

IN DECEMBER 2001, AFTER EXTENSIVE CONSULTATIONS WITH NOVA SCOTIANS, THE PROVINCE OF NOVA SCOTIA RELEASED "SEIZING THE OPPORTUNITY," NOVA SCOTIA'S ENERGY STRATEGY.

The Department of Natural Resources and the Nova Scotia Petroleum Directorate worked together to build a strategy that addressed all aspects of energy production and use—from offshore natural gas to electricity and coal, to climate change and renewable resources, to energy conservation and efficiency. It set a bold, ambitious direction designed to give new focus to Nova Scotia's growing energy sector.

The strategy was well received by many stakeholders who appreciated the effort to bring more focus to the myriad of energy issues facing Nova Scotians. There were also requests to provide regular progress reports on the implementation of the strategy. While the creation of the Department of Energy provides for continuing accountability on the implementation of the strategy, the government felt it was important to provide a progress report to Nova Scotians.

In the 14 months since the strategy was released, a new Department of Energy has been formed, exploration activity continues to increase, Nova Scotia's offshore potential continues to be updated, gas distribution will soon become a reality, green energy is growing with the installation of two wind turbines, and work on addressing climate change has been moving ahead. These are just a few of the opportunities and challenges that we face in an ever-changing global environment with an energy industry that is at a crossroads in its development.

This document describes the progress the Department of Energy has made in implementing the Energy Strategy and highlights our key priorities in the coming months. As the co-author of the Energy Strategy, and the province's second Minister of Energy, it is my pleasure to submit to the people of Nova Scotia this Energy Strategy Progress Report.

Ernest L Fage

Ernest Fage
Minister of Energy

NOVA SCOTIA'S ENERGY STRATEGY IS ABOUT FINDING NEW ENERGY RESOURCES, MANAGING THE ENERGY WE USE WISELY, AND USING THOSE RESOURCES TO BUILD A HEALTHIER, MORE PROSPEROUS, AND SELF-RELIANT PROVINCE.

The Energy Strategy is a living document, designed to be both realistic and flexible as we work in the short term to make the most of the opportunities in our energy sector and address the challenges of a changing environment. In the long term, the strategy is designed as a guide for the future with an emphasis on research and development, energy use and conservation, and building a stronger economy for Nova Scotians.

The strategy was built with Nova Scotians for Nova Scotians through an extensive consultation process. This progress report builds on that consultation by providing Nova Scotians with an update on the implementation of the strategy, highlights of the energy sector in Nova Scotia, and our priorities for both the short and long term.

With a full-time Minister, the Department of Energy is working with governments, industry representatives, local businesses, communities, and Nova Scotians to build a strong, vibrant energy sector that will meet our energy needs and build a more prosperous province.

This progress report provides a snapshot of the first year of the Energy Strategy and is developed around the three major themes:

1. **POWERING THE ECONOMY**
2. **IMPROVING THE ENVIRONMENT**
3. **SECURING OUR FUTURE**

Nova Scotia's Energy Strategy is an ambitious undertaking. This past year, a great deal has been accomplished, which builds a strong foundation for the energy sector in Nova Scotia. In the months and years ahead, the strategy will continue to be a guide for the province as it builds a world-class energy sector that brings benefits to Nova Scotians, improves our environment, and helps secure a bright future for our children.

An energy industry balancing enconomic growth, social goals, and respect for the environment for citizens today and generations tomorrow is essential for Nova Scotia to achieve its vision of becoming one of the best places in the world to live and work.

To create a world-class energy sector that achieves sustainable economic development in balance with high social and environmental standards.

To optimize financial, economic, and social benefits in the province's rapidly expanding offshore energy sector.

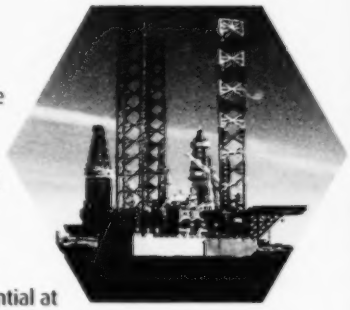
To improve the province's environment and enhance the quality of life of Nova Scotians.

ENERGY. IT TOUCHES ALL OUR LIVES AND IS ESSENTIAL TO HOW WE LIVE AND WORK. HERE IN NOVA SCOTIA, THE GROWING OIL AND GAS INDUSTRY BRINGS MORE THAN A NEW ENERGY RESOURCE, IT BRINGS A WEALTH OF OPPORTUNITIES FOR NEW JOBS, A STRONGER ECONOMY, AND MORE OPPORTUNITIES FOR NOVA SCOTIANS.

The Energy Strategy identified a number of action items that were designed to encourage exploration, development, and production in our offshore, bring natural gas to Nova Scotians, and reap the benefits of the exciting growth in the oil and gas industry.

Nova Scotia has access to a diverse supply of energy sources such as coal, oil, hydro, natural gas, and wood. Add to that the potential for renewable sources like wind, solar energy, and energy-efficient technologies, it makes sense to develop our energy sources in a way that makes the most of our resources and addresses the challenges in our environment.

EXPLORATION



Exploration is crucial to developing our oil and gas industry here in Nova Scotia. Offshore exploration is a high-risk endeavour that can cost $30–$100 million per well. The Energy Strategy stressed the importance of improving our competitiveness by reducing uncertainty in order to attract the kind of exploration investment that is required to find offshore and natural gas.

The Canada/Nova Scotia Offshore Petroleum Board has updated the estimate of the commercial potential for Nova Scotia's offshore. Conservative estimates place our potential at 40 trillion cubic feet of natural gas.

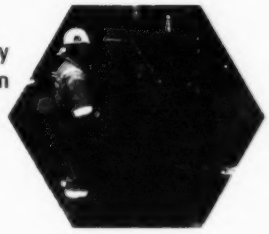
Nova Scotia's oil and gas industry is now seeing more activity than ever. In fact, over the next 12–18 months, approximately 8–10 exploration wells will be drilled—that's more than in the last decade.

While our potential is impressive, potential alone is not enough to make Nova Scotia's offshore a competitive force in the international oil and gas industry. The federal and provincial regulations with which oil and gas companies must comply are extremely complex and extensive. As part of our commitment in the Energy Strategy to make the regulatory process more efficient and effective, the Nova Scotia government has taken a number of steps to encourage exploration off our shores.

The department participated in the November 2002 Atlantic Energy Roundtable, a Halifax meeting of federal and provincial ministers, departments, and industry representatives to address issues of importance to Atlantic Canada's oil and gas industry. The follow-up process is a full partnership between Nova Scotia, Newfoundland and Labrador, and the federal government. Advice is being sought from regulatory authorities and industries on measures required to make our regulatory processes more efficient and effective. A full report is expected at a second roundtable in fall 2003.

While we continue to work on Nova Scotia's behalf with the federal government to improve the joint regulatory management of our offshore resources, a number of improvements have been made to our provincial regulatory process as well.

- **The revisions to the *Gas Distribution Act* improved efficiency through such changes as eliminating ministerial approval of franchise amendments and permitting the use of interim transportation tariffs.**
- **The new *Underground Hydrocarbon Storage Act*, along with a Code of Practice, provides clear direction on the regulation of development and use of underground reservoirs to help balance the supply and demand for natural gas and gas liquids.**



- Offshore workers will soon have the same kind of occupational health and safety legislation as those working on land with a coordinated approach to new legislation with the province of Newfoundland and Labrador and the federal government.
- Work continues on Nova Scotia's *Energy Act,* which will contain a series of efficiency improvements.
- Discussions on the Canada/Nova Scotia Offshore Accord continue with the federal government.

We're also working to improve the process for onshore approvals. The department worked with the province's interdepartmental One Window Standing Committee to coordinate the provincial organizations with responsibility for onshore regulations so that operators have a main point of contact and approval.

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DEVELOPMENT AND PRODUCTION

Just a few years ago, natural gas development and production was simply a topic for discussion—today it is a reality. The Sable Offshore Energy Project is currently producing more than 500 million cubic feet of natural gas each day and is expected to continue for the next 20 years. As more discoveries are made through increased exploration, it is important that Nova Scotians have opportunities to participate in the new opportunities and receive the benefits that come with our resources. A number of the action items are under way to address how Nova Scotia can get the most out of these resources, build our capacity to fully participate in this industry, and become more competitive both here and around the world.

The November 22, 2002 Atlantic Energy Roundtable also addressed economic benefits and how Nova Scotia can be better positioned to gain the benefits from new jobs and business opportunities that are associated with offshore projects. The department will be an active participant in the follow-up process that is being established. A full report to the next roundtable in the fall of 2003 is expected on industrial opportunities.

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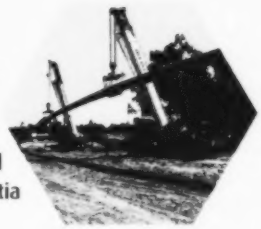
TRANSPORTATION AND DISTRIBUTION



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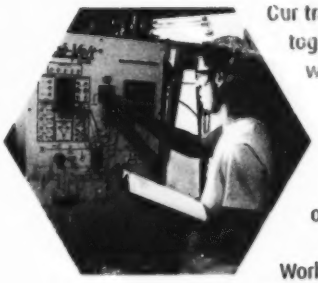
TRAINING

If we are to be true participants in the development of the oil and gas industry, Nova Scotia must be well prepared to take on the challenges and demands of this competitive sector by training Nova Scotians to be among the best skilled workers available.



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We're supporting local businesses with an interest in serving the oil and gas industry with information seminars on adopting quality assurance and quality control standards that will help them compete for new contracts.

ECONOMIC IMPACT

While there's been considerable discussion about the oil and gas industry and its economic impact in Nova Scotia, a recent report prepared for the Department of Finance confirmed that more than $5 billion was spent in the province between 1990 and 2001.

The Department of Energy is currently working with industry representatives to build on this study and provide regular reporting on economic impacts of offshore exploration, development, and production.

An important part of the economic impact of Nova Scotia's oil and gas industry is the royalties collected through the production of the resources. Royalties from the Sable Offshore Energy Project are estimated at between $1.6 and $2.3 billion over the life of the project.

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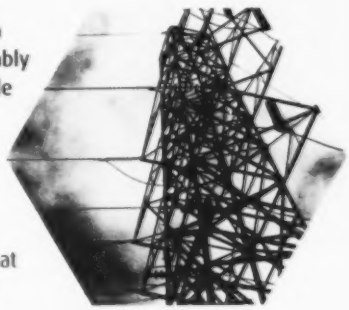

ELECTRICITY

One of the priorities identified in the Energy Strategy was an electrical energy supply that is secure, reliable, affordable, and produced in an environmentally responsible manner.

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RENEWABLE ENERGY

Recognizing that our response to climate change and air quality concerns will require increased use of renewable energy sources such as solar and wind power, the department has been working to implement a number of initiatives as identified in the Energy Strategy.

New wind turbines began producing electricity in Little Brook, Digby County, and Grand Etang, Cape Breton, in October 2002.

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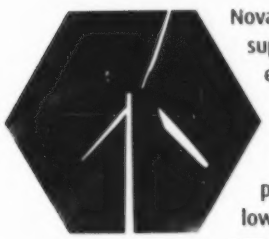

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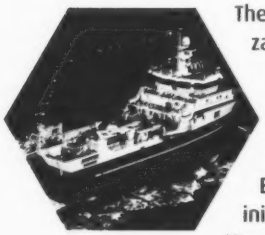
MARINE ENVIRONMENT

The Energy Strategy stressed that energy sector activities must be carefully managed to avoid negative impacts on our marine ecosystems. As part of that commitment, the department has worked to foster partnerships with the fishing industry, coastal communities, the petroleum industry, and provincial and federal governments to ensure that efforts to explore and develop offshore resources contribute to the social and economic development of the province and its coastal communities.

In 2002 the Cape Breton Review Commissioner concluded hearings into public concerns over exploration plans offshore Cape Breton. The review had been ordered as a joint directive by the ministers responsible for energy in Nova Scotia and Ottawa. The two key recommendations from the review were:

- the establishment of an ad hoc working group to provide further stakeholder advice to the CNSOPB on exploration proposals before proceeding to the next stage of the regulatory process
- the establishment of a process to pull together the scientific knowledge about the impacts of the proposed activities and measures to mitigate them



The Department of Energy supported both processes. It helped non-governmental organizations (NGOs), including environmental groups, participate fully in the science review process by providing a total of $5,000 in honorariums to three NGO participants. The department also actively participated on the ad hoc working group.

The Department of Energy also is an active participant in the CNSOPB Fisheries and Environment Advisory Committee (FEAC) and in the Department of Fisheries and Oceans initiative in ocean management planning called the Eastern Scotian Shelf Integrated Management initiative.

In 2003, the department also committed $50,000 toward a scientific research program that will help us understand the impact of seismic activities on marine mammals. This basic research will help reduce the scientific uncertainty that currently exists in this area and help scientists design programs to mitigate any potential negative impacts. In this fashion, responsible oil and gas exploration activities can proceed.

The Department of Energy is also a participant in the Canadian Environmental Assessment Agency's Oil and Gas Issues Regulatory Sub-committee, which is looking at the requirements for environmental assessments in the offshore. The results of this process are expected to be reported to the federal government in the fall of 2003.

CONSERVATION AND EFFICIENCY

Although the increased use of renewable energy sources helps to improve energy efficiency, the Energy Strategy recognized that significant efforts must be made to conserve energy and to promote responsible energy use to Nova Scotians.

Working with Clean Nova Scotia, the department supports home audit programs that help Nova Scotians find out ways to improve the energy efficiency in their homes and save money.

The department and Clean Nova Scotia also work together with other partners to support Destination Conservation, a program teaching students to find ways to help their schools save energy, become more efficient, and reduce costs.

The TRAX program, delivered by the Ecology Action Centre and supported by the department, among other partners, promotes transportation alternatives such as public transportation, car-pooling, cycling, walking, and workplace trip reduction.

Nova Scotia currently builds more R-2000 homes per capita than any other region in the country and the Department of Energy was recently recognized by the Nova Scotia Homebuilder's Association for its continued support to building energy efficient homes through the R-2000 program.

CLIMATE CHANGE

The importance of responding to climate change is recognized as a key priority in the Energy Strategy and will require significant changes in how Canadians and Nova Scotians use energy every day.

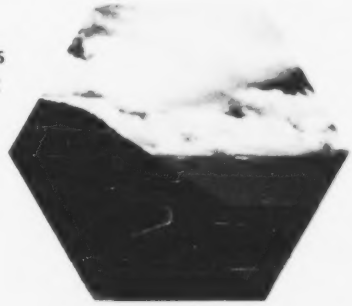
Nova Scotia continues to be a leader in building a partnership to implement a national climate change plan, an approach that delivers reductions in emissions while ensuring that no one region or industry bears an unreasonable burden for this national issue.

Department of Energy staff represents the province at federal, provincial, and territorial working groups and deputy ministers' meetings, while the Minister serves as Co-Chair of the Joint Ministers' Meetings of Energy and the Environment.

Currently, discussions with the federal government involve issues such as targeted measures, emission trading, and voluntary covenants for large industrial emitters as well as a partnership process to assist in implementing climate change efforts in Nova Scotia.

AIR QUALITY

Meanwhile, the government is implementing the Energy Strategy's goals to improve air quality for Nova Scotians. The Department of Environment and Labour is working with the Department of Energy, the Office of Economic Development, Nova Scotia Power, Nova Scotia Business Inc., and other industries to focus on reducing the emissions of mercury, sulphur, nitrogen, and ozone.



NOVA SCOTIA'S ENERGY SECTOR PROVIDES US WITH MORE THAN ENERGY RESOURCES—IT PROVIDES AN OPPORTUNITY TO PROSPER AND GROW, TO BUILD A BETTER LIFE FOR FUTURE GENERATIONS.

The Energy Strategy identified a number of ways to use the resources we have today to bridge into the world we will live in tomorrow. Through competitive taxation, innovative research and development, and responsible budgeting, Nova Scotians can continue to reap the benefits of our non-renewable and renewable resources for decades to come.

TAXATION

The Nova Scotia Energy Strategy identified the need for Nova Scotia to provide competitive taxation regimes. Analysis undertaken in preparing in the Energy Strategy indicated that Nova Scotia is competitive with respect to fiscal matters including royalties and taxation. The department is continuing to work with Service Nova Scotia and Municipal Relations and the Department of Finance to advise on taxation matters that affect the energy sector.

RESEARCH AND DEVELOPMENT

Research and development will continue to be a crucial part of our ability to remain competitive and realize significant value-added benefits from the energy industry. By understanding our R&D capacity and working with research institutions, provincial and federal governments, and industry, Nova Scotia can become a leader in new technologies, attracting new business through innovation and the commercialization of our research and development in the energy sector.

Work has already begun in this area by bringing together representatives from research institutions, government, and the private sector to review current energy-related research and development activities and identify areas of discussion for an Energy R&D Forum to be held in late spring or early fall. Together, they'll identify opportunities and gaps in the current research and find ways to work in partnership to conduct research that will provide us with a better understanding of the challenges and opportunities in Nova Scotia's energy sector. A project to identify energy research capabilities and areas of specialty in a database/website is also under way.

Where We Go From Here

THE DEPARTMENT OF ENERGY HAS THE UNIQUE OPPORTUNITY AND RESPONSIBILITY TO ENCOURAGE ECONOMIC DEVELOPMENT IN THE ENERGY SECTOR. AT THE SAME TIME, WE HAVE A DUTY TO ENSURE THAT WE ARE ACCOUNTABLE TO NOVA SCOTIANS BY STRIKING A BALANCE BETWEEN PROMOTING DEVELOPMENT, RESOURCE STEWARDSHIP, ENVIRONMENTAL PROTECTION, AND OF COURSE, RETURN ON INVESTMENT.

In the coming months, the department will continue to implement the Energy Strategy with a focus on exploration, benefits, competitiveness, resource management, energy infrastructure, and energy utilization. That means continuing to work to optimize the benefits from offshore development in the short term and focusing on an improved approach to the Offshore Energy Agreements in the long term, all the while supporting the principles of open markets.

It means recognizing that we are trying to build an industry and that we must ensure there are opportunities for local companies to participate. It also means working with local companies to develop and enhance their capacity—we must be ready to do more than take advantage of opportunities, we have to be in a position to create them.

It means working to improve our research and development capacity, learning from our experiences to build on our strengths and to offer the global marketplace a competitive, world-class industry driven by innovation and entrepreneurship.

And, it means working with industry, communities, and other governments to ensure that the benefits from our energy resources contribute to the social and economic growth of our province and protect and improve our way of life.

It means working together. It means partnership.

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